



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

2003 FEB 27 P 1:30

MARC SPITZER - Chairman  
JIM IRVIN  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON

FEB 27 2003

AZ CORP COMMISSION  
DOCUMENT CONTROL

DOCKETED BY

CR

IN THE MATTER OF THE APPLICATION OF  
ARIZONA WATER COMPANY, AN ARIZONA  
CORPORATION, FOR ADJUSTMENTS TO ITS  
RATES AND CHARGES FOR UTILITY SERVICE  
FURNISHED BY ITS EASTERN GROUP AND FOR  
CERTAIN RELATED APPROVAL

DOCKET NO. W-01445A-02-0619

STAFF'S MOTION TO CONTINUE  
ALL PROCEDURAL DEADLINES,  
CONTINUE HEARING, AND FOR  
TOLLING OF THE RATE CASE  
TIME-CLOCK

**I. Introduction.**

Staff is deeply concerned with the timing and completeness of Arizona Water Company's ("Company") responses to Staff's data requests. The procedural order in this case requires the Company to respond to data requests within 10 days. Information critical to Staff's ability to analyze this case and prepare its direct testimony has been delivered extremely late, or in many cases, not at all. For this reason, Staff reluctantly moves that (1) all procedural deadlines be continued; (2) that the hearing be continued; and (3) that the rate case time-clock be tolled. The principal areas of concern are:

- (1) final figures for post test year plant through the end of 2002 will not be available until mid-March;
- (2) final figures for 2002 expenses will not be available until mid-March;
- (3) the Company has not filed all of the necessary revised rate case schedules to correct an admitted error in its depreciation rates as contained in its rate application;
- (4) delayed and inadequate responses concerning matters related to the "Pinal Creek Group".

These matters are discussed more fully below. The Company placed many of these matters at issue by selecting a stale test year and then asking for extensive post test year plant. Because Staff believes that the Company will eventually provide this information, Staff is not now filing a Motion to Compel, but rather is seeking an extension of time.

1 **II. Post Test Year Plant.**

2 The test year in this case is 2001. The Company has requested post test year plant through the  
3 date of the hearing. (Michael J. Whitehead's Direct Testimony at p. 7). While this request is  
4 unlikely to be granted in full, prior Commission decisions have, on occasion, granted post test year  
5 plant for one year after the test year. It is therefore prudent for Staff to audit the Company's post test  
6 year plant information through the end of 2002. The Company had, at one point, indicated that this  
7 information would be available in mid-February. Staff requested this information in Data Request  
8 REL 1-23 (dated 10/21/02) and Data Request REL 5-6 (dated 12/24/02). Staff did not receive any  
9 response until the Company's Response to REL 15-11 (received 2/24/03) which contained a summary  
10 of the post test year plant. Staff still has not received the requested detailed information necessary to  
11 audit these figures. The Company now indicates that this information will not be available until  
12 "after the completion of the annual audit scheduled for March 14, 2003." See Company Response to  
13 RUCO 3.4 at p. 1 (attached as Exhibit 1). The determination of rate base is obviously an item of  
14 critical importance in developing Staff's direct testimony. Indeed, this item alone would justify  
15 granting an extension.

16 **III. 2002 Actual Expenses.**

17 The Company has made extensive pro forma adjustments to its expenses. It is difficult to  
18 verify such pro forma adjustments. The best evidence of appropriate expenses is the actual expenses  
19 incurred. Staff accordingly desires to review the Company's 2002 actual expenses, in order to  
20 compare the actual expenses to the pro forma expenses claimed by the Company. Staff requested this  
21 information in Data Request REL 14-1 (dated 2/11/02), and has still not received this information.  
22 The Company indicates that "Actual 2002 expenses will be available after the audit is concluded  
23 around mid-March." See Company Response to REL 14-1 (Attached as Exhibit 2).

24 **IV. Depreciation Expense.**

25 The Company has admitted to using incorrect depreciation rates in its application. See  
26 Company Response to LH 12-8 at p. 1 (Attached as Exhibit 3). The Company agreed that it had to  
27 file revised rate case schedules to correct its application. The Company did so in part, but it has not  
28 filed all of the affected schedules. Specifically, the Company has not filed any revised "A"

1 schedules. *See* Company Response to REL 15-11 at p. 1 (Attached as Exhibit 4). The rate case  
2 schedules filed with a rate application are the critical starting point of Staff's review of a rate case.  
3 For this reason the Company must correct its admitted error on all affected rate case schedules so that  
4 Staff's review of the rate case is not unduly impacted.

5 **V. Pinal Creek Group.**

6 The Pinal Creek Group ("PCG") is a group of mines in the Miami area that have allegedly  
7 caused significant groundwater contamination. In a settlement with PCG, the Company obtained a  
8 substantial cash payments and free water for several decades.<sup>1</sup> The proper accounting treatment for  
9 the payments and the free water is unclear at this time. Moreover, the groundwater contamination  
10 may have had some sort of effect on the Company's Miami plant-in-service. Staff only learned about  
11 PCG related matters by reviewing the Company's board minutes. Staff then requested a narrative  
12 explanation and a copy of the settlement agreement. Data Request REL 5-19 (dated 12/24/02). Staff  
13 did not receive a copy of the settlement agreement until February 7, 2002, when Staff member  
14 Ludders, in exasperation, drove to the Company's headquarters to pick up a copy. After Staff pointed  
15 out that the Company still had not provided the requested narrative account, the Company sent a "2nd  
16 Supplemental Response" to REL 5-19 on February 14, 2003. Staff had requested an explanation of  
17 the events that led up to the settlement agreement, and the Company provided only one sentence that  
18 was responsive. *See* Company's 2nd Supplemental Response to REL 5-19 (attached as Exhibit 5).<sup>2</sup>  
19 The Company's explanation of its accounting treatment of these matters was similarly sketchy.

20 Staff sent its 13<sup>th</sup> set of data requests (dated 2/10/02) after reviewing the settlement  
21 agreement, and its 17<sup>th</sup> set (dated 2/14/02) upon receipt of the 2nd Supplemental Response to REL 5-  
22 19. Many of the responses to the 13<sup>th</sup> set were inadequate. Staff has not had a chance to fully review  
23 the Company's response to the 17<sup>th</sup> set (received 2/24/02), and therefore cannot determine at this time

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24  
25 <sup>1</sup> The Company asserts that the terms of this settlement, and nearly all other matters relating to PCG,  
26 are confidential. Staff has signed its standard Protective Agreement with the Company. Staff is  
27 concerned that the Company is asserting confidential status for matters that are not truly confidential.  
However, Staff is still attempting to work with the Company on this issue, and hopes to resolve it  
without recourse to the ALJ.

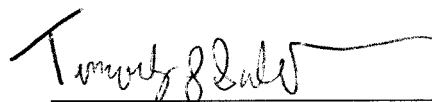
28 <sup>2</sup> The Company has designated this response as confidential. Accordingly, a copy of this response  
has only been attached to the ALJ's copy of this motion, and has not been included in the docketed  
copy of this motion.

1 whether it was adequate. Staff complained to the Company concerning its response to the 13<sup>th</sup> set.  
2 Counsel for the Company responded by indicating that the Company would attempt to supplement its  
3 responses in the next few days. This morning, Staff received a further response that supplemented  
4 only one data request. (Attached as Exhibit 6). Even if the Company's further response to the 13<sup>th</sup> set  
5 were fully complete, Staff has lost considerable time. The response to REL 5-19 was due in early  
6 January, but Staff is still waiting for a complete explanation of these matters nearly two months later.  
7 PCG related matters will likely have a substantial impact on the rates for the Miami system, and  
8 therefore Staff must have this information in order to complete its review of the Miami system.

9 **VI. Requested Relief.**

10 Staff's direct testimony is currently due on April 9, 2003, and Staff's internal deadline for a  
11 first draft is March 17, 2003 (about the time much of the missing information will be available).  
12 Staff will require approximately 90 days from the receipt of 2002 post test year plant and expense  
13 data to complete its analysis. Accordingly, Staff moves that the due date for Staff's direct testimony  
14 be extended for 105 days (15 days until mid-March plus 90 days) and that all other deadlines set forth  
15 in the procedural order and the hearing date be extended accordingly. Staff further moves that the rate  
16 case time clock be tolled during this 105 day period.

17  
18 RESPECTFULLY SUBMITTED this 27th day of February 2003.

19  
20  
21   
22 Timothy J. Sabo  
23 Attorney, Legal Division  
24 Arizona Corporation Commission  
25 1200 West Washington Street  
26 Phoenix, Arizona 85007  
27 (602) 542-3402  
28

1 The original and thirteen (13) copies  
2 of the foregoing were filed this  
27th day of February 2003 with:

3 Docket Control  
4 Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

5  
6 Copies of the foregoing were mailed (and where indicated emailed and faxed) this  
27th day of February 2003 to:

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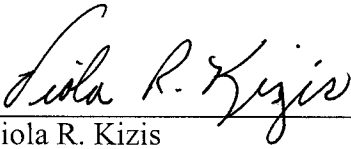
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22 \_\_\_\_\_  
23 Viola R. Kizis  
24 Secretary to Timothy J. Sabo  
25  
26  
27  
28

**ARIZONA WATER COMPANY**

**Eastern Group**

**Docket No. U-1445A-02-0619**

**Witness (es) Whitehead/Hubbard**

**Data Request No. RUCO 3.4**

**Plant Additions & Retirements** *Please provide the following documents that were generated during the Test Year and post Test Year periods in which plant assets, that the Company is seeking recovery for in this proceeding, were constructed:*

- a) work orders on new additions; and*
- b) monthly operating reports.*

**Response To Data Request No. RUCO 3.4**

a) Work authorizations generated during 2001 for plant additions during the test year that the Company is seeking recovery for in this proceeding are attached. For work authorizations associated with post-test year plant additions, please see Response to Data Request No. RUCO 1.6.

b) Monthly operating reports generated during the Test Year 2001 were provided in Response to Data Request No. RUCO 1.10. Monthly operating reports generated through September 2002 of the post-test year period were provided in Response to Data Request No. RUCO 1.10. Response to Data Request No. RUCO 1.10 will be supplemented with the October 2002 and November 2002 monthly operating reports in conjunction with the Company's Response to RUCO's Third Set of Data Requests. The December 2002 monthly operating report will be provided at the completion of the annual audit scheduled for March 14, 2003.

EXHIBIT

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**ARIZONA WATER COMPANY**

**Eastern Group**

**Docket No. U-1445A-02-0619**

**Witness (es) Hubbard**

**Data Request No. REL 14-1**

*Please provide actual 2002 expenses for each of the pro forma adjustments made to each system within the Eastern Group and provide access to supportive work papers.*

**Response To Data Request No. REL 14-1**

The Company's annual independent audit of the year ending December 31, 2002 is now underway. Actual 2002 expenses will be available after the audit is concluded around mid-March.





**ARIZONA WATER COMPANY**

**Eastern Group**

**Docket No. U-1445A-02-0619**

**Witness (es) Kennedy**

**Data Request No. LH 12-8**

In reference to Mr. Kennedy's direct testimony, page 16, wherein depreciation rates by NARUC category are presented, are these depreciation rates the result of actual depreciation studies or compiled from actual Arizona Water Company records and do the depreciation rates represent actual experience or service lives? Provide copies of any depreciation studies or depreciation data compiled or prepared in the last 5 years in Arizona Water's possession.

**Response To Data Request No. LH 12-8**

The depreciation rates shown on page 16 should be the rates determined in the Company's last depreciation study, which was based on the year ending December 31, 1990. The rates determined in that study are shown in column 6 of the attached study pages. The rates shown on page 16 of my testimony are actually the rates from the 1987 study, which are shown in column 4 of the attached study results and labeled Present Rates. A Revised page 16 of my testimony is also attached.

EXHIBIT

3

ALL-STATE LEGAL®

**ARIZONA WATER COMPANY**  
Eastern Group  
Docket No. U-1445A-02-0619  
Witness (es) Hubbard

**Data Request No. REL 15-11**

*Regarding the Company's February 12, 2003 phone notification informing Staff of their use of an incorrect component depreciation rate schedule when calculating pro forma expense adjustments while completing its application; Please submit revised schedules using the appropriate component rates.*

**Response To Data Request No. 15-11**

Revised schedules are attached which use the appropriate component rates discussed with Staff on February 12, 2003. The revised schedules have also been adjusted to reflect actual revenue-neutral plant additions for 2002. The adjustments computed by these revised schedules will affect the following pro forma adjustments:

- Pro Forma Adjustment #2 (Schedule B2) – Depreciation on Post Test Year Additions,
- Pro Forma Adjustment #3 (Schedule B2) – Six Months Additional Depreciation on Test Year Additions,
- Pro Forma Adjustment #17 (Schedule C2 - Six Months Additional Depreciation on Test Year Additions, and
- Pro Forma Adjustment #18 (Schedule C2) - Depreciation on Post Test Year Additions

EXHIBIT

4

ALL-STATE LEGAL®

# ARIZONA WATER COMPANY

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PHONE: (602) 240-6860 • FAX: (602) 240-6878

February 14, 2003

FEB 14 2003

LEGAL DIV.  
ARIZ. CORPORATION COMMISSION

*See Gary Michel*

Mr. Timothy J. Sabo  
Attorney, Legal Division  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

Re: Docket No. W-01445A-02-0619  
2<sup>nd</sup> Supplemental to Staff's Data Request No. REL 5-19

Dear Mr. Sabo:

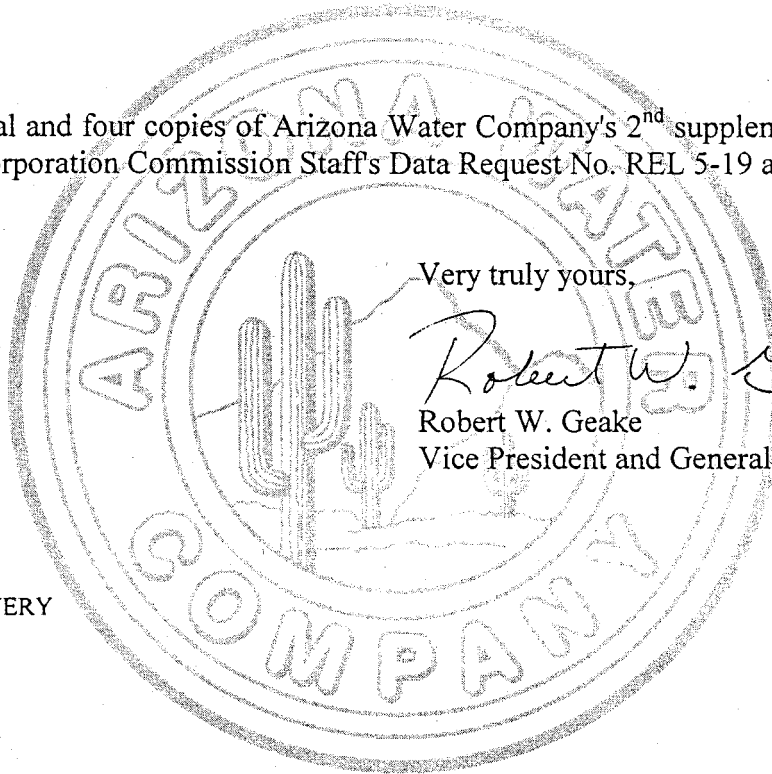
An original and four copies of Arizona Water Company's 2<sup>nd</sup> supplemental data response to the Arizona Corporation Commission Staff's Data Request No. REL 5-19 are enclosed.

Very truly yours,

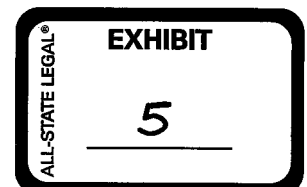
*Robert W. Geake*

Robert W. Geake  
Vice President and General Counsel

jrc  
Enclosures  
VIA HAND DELIVERY



E-MAIL: mail@azwater.com



LAW OFFICES  
**FENNEMORE CRAIG**  
A PROFESSIONAL CORPORATION

RECEIVED

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LEGAL DIV.  
ARIZ. CORPORATION COMMISSION

**JAY L. SHAPIRO**  
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February 27, 2003

Timothy J. Sabo  
Attorney, Legal Division  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

**Re: Arizona Water Company Eastern Group Rate Case, Docket No. U-1445A-02-0619; Dispute Over Staff's Data Requests.**

Dear Tim:

We are in receipt of your e-mail correspondence, dated February 20, 2003, concerning Arizona Water Company's responses to certain of Staff's data requests in this docket. Contrary to your assertions, Staff's comments have not "fallen on deaf ears." Rather, as we indicated when we met with you on February 19 -- the day before your e-mail was sent -- we wished to confer with our client regarding Staff's concerns. Having now done so, we do not believe Staff's complaints are warranted. To ensure that there is no misunderstanding, I will specifically address each concern below.

As a preliminary matter, however, I should emphasize that the Company's ability to further address Staff's concerns has been hampered by Staff's inability to meet with Ms. Hubbard. Following our meeting on February 19, Ms. Hubbard contacted Mr. Ludders to schedule a meeting for the purpose of discussing Staff's concerns, including issues related to post test year plant additions and other pro forma expense adjustments. Mr. Ludders informed the Company that Staff could not meet with them and that he would let Mr. Kennedy and Ms. Hubbard know when Staff's representatives would be available to meet. To date, the Company has heard nothing further from Staff. If Staff would still like to meet in an effort to resolve these disputed matters, please let us know. The Company remains willing to meet with Staff as soon as possible.



# FENNEMORE CRAIG

## BY HAND DELIVERY

Timothy J. Sabo  
February 27, 2003  
Page 2

### A. DATA REQUESTS REGARDING PINAL CREEK GROUP SETTLEMENT

As we have explained, because Arizona Water Company was not a party to any of the litigation involving the Pinal Creek Water Quality Assurance Revolving Fund ("WQARF") Site, the Company has very little information regarding the litigation. As we have also explained, the Company's claims were settled, without resort to protracted litigation or a determination of its actual damages.

Arizona Water does understand, however, that information concerning the Pinal Creek WQARF Site litigation is publicly available through the Arizona Department of Environmental Quality ("ADEQ"). In fact, Mr. Edwin Pond, a Project Manager in ADEQ's Remedial Action Unit, has invited Staff to contact him directly concerning the Pinal Creek WQARF site or the State's WQARF program. Mr. Pond can be reached at (602) 771-4575.

It follows that, under these circumstances, there is no basis for your assertion that the Company's responses to Staff's thirteenth set of data requests are "wholly inadequate." I will address each of the responses you have specifically identified.

#### Data Request No. TJS 13-2:

##### Staff Request:

*Data Request REL 5-19 requested a narrative description of the "events that led up to the agreement." The Company did not provide such a description in its Response to REL 5-19. Provide a comprehensive narrative description of the events that led up to the Agreement. Do not limit your response to negotiations and legal matters, but rather include the incident that precipitated the Agreement and related events. Data Request REL 5-19 also requested that the Company "explain the effect of the agreement on the Company's income statement as well as the plant accounts and rate base." The Company did not provide such an explanation in its response. Provide an explanation of the effect of the Agreement on the Company's income statement as well as the plant account and rate base.*

##### Company's Response:

See Second Supplemental Data Response to REL 5-19.

The Company referred to its earlier response to Data Request REL 5-19 because that response reflected the extent of the Company's available and responsive information. The Company cannot provide additional information regarding the impact of its settlement agreement

# FENNEMORE CRAIG

## BY HAND DELIVERY

Timothy J. Sabo  
February 27, 2003  
Page 3

with the Pinal Creek Group on its income statement, plant accounts and rate base because no additional information regarding such impacts exists.

### Data Request No. TJS 13-3:

#### Staff's Request:

*The parties to the Agreement, other than Arizona Water, are Cyprus Miami Mining Corporation, BHP Copper, Inc., and Inspiration Consolidated Copper Company (collectively, "PCG"). Describe the relationships between the PCG parties and their individual involvement in the events that led up to the Agreement. Describe how responsibilities are allocated among the PCG parties.*

#### Company's Response:

Arizona Water Company has no information concerning the relationships between the PCG members or their individual involvement in any events that led up to the Agreement.

As explained, the Company does not have any knowledge regarding those parties' relationships to one another or the events that gave rise to the litigation. Even assuming such information is the proper subject of a data request, it is axiomatic that a party to a rate proceeding, like the Company, is not required to produce information in response to data requests that it does not possess. However, as we have previously advised, additional information regarding the Pinal Creek WQARF Site is available from ADEQ, and we encourage Staff to contact Mr. Pond as he suggested.

### Data Request No. TJS 13-5:

#### Staff's Request:

*Provide a list of all Arizona Water personnel that have knowledge of the events that led up to the Agreement, and describe the extent of each person's knowledge. You may limit the list to the five (5) Arizona Water personnel with the most knowledge of the events that led up to the Agreement, if the knowledge of such individuals constitutes substantially all of the knowledge of Arizona Water personnel of the events that led up to the Agreement. The term "personnel" for the purposes of this data request includes consultants and other independent contractors.*

# FENNEMORE CRAIG

## BY HAND DELIVERY

Timothy J. Sabo  
February 27, 2003  
Page 4

### Company's Response:

The persons with the most knowledge of the Agreement are William M. Garfield, Michael J. Whitehead, Ralph J. Kennedy, James R. Livingston, and Robert W. Geake. The extent of the knowledge of each of these persons depends upon their areas of responsibility with Arizona Water Company.

The Company has supplemented its earlier response to TJS 13-5. The supplemental response describing the extent of the identified individuals' knowledge of the events leading up to the agreement with the Pinal Creek Group is enclosed herewith.

### Data Request No. TJS 13-13:

#### Staff's Request:

*Section 9(b) of the Agreement refers to certain claims that Arizona Water may have against third parties. Describe such potential claims, indicate whether any action has been taken regarding such potential claims, and if action has been taken, indicate the status of the claim.*

# FENNEMORE CRAIG

## BY HAND DELIVERY

Timothy J. Sabo  
February 27, 2003  
Page 5

### Company's Response:

*Section 9(b) refers to claims asserted by third parties against Arizona Water Company. No such claims have been asserted.*

Initially, it should be noted that your data request erroneously refers to claims by Arizona Water Company against third parties. The referenced section of the Company's agreement with the Pinal Creek Group (section 9(b)) actually refers to future claims against the Company made by third parties, with respect to which the Company may seek indemnification or contribution from the Pinal Creek Group. Moreover, as stated in the Company's response, no such claims have been threatened or asserted against the Company to date, and therefore no further response is possible. The Company cannot provide information to Staff about potential, future claims that unknown third parties may attempt to assert some day.

### Data Request No. TJS 13-15:

#### Staff's Request:

*Provide a description of the "private party cost recovery litigation", "pending toxic tort class action" and "insurance recovery action" described in Section 10 of the Agreement, and indicate the current status of such actions.*

### Company's Response:

Arizona Water Company is not a party to these actions and has no knowledge of these proceedings.

This data request seeks additional information regarding the Pinal Creek WQARF litigation. Again, the Company was not a party to this litigation and does not have any knowledge regarding "the private party cost recovery litigation," "pending toxic tort class action" or "insurance recovery action" even though such terms are identified in the Company's agreement with the Pinal Creek Group. The Company cannot provide information that it does not possess.



# FENNEMORE CRAIG

## BY HAND DELIVERY

Timothy J. Sabo  
February 27, 2003  
Page 6

### Data Request No. TJS 13-19:

#### Staff's Request:

*Provide a list of the five (5) PCG personnel (or the personnel of PCG members) that are likely to have the most knowledge of the events that led up to the Agreement, and describe the likely extent of each person's knowledge. The term "personnel" for the purposes of this data request includes consultants and other independent contractors.*

#### Company's Response:

Arizona Water Company does not have this information.

Like Data Requests TJS 13-3 and TJS 13-15, this request seeks specific information regarding the Pinal Creek WQARF litigation. The Company has no knowledge regarding Pinal Creek Group member personnel or the extent of knowledge such individuals may have. Again, the Company cannot provide information it does not possess.

To summarize, the Company has appropriately responded to Staff's data requests concerning the settlement agreement with the Pinal Creek Group, particularly given the Company's lack of involvement in the litigation involving the Pinal Creek WQARF Site and its lack of knowledge about that litigation.

### **B. DEPRECIATION RATES**

In our meeting last week, Staff questioned the Company's proposed depreciation rates. Specifically, Staff pointed out that the Company had selected depreciation rates from a 1987 study rather than a 1990 study. The use of several "older" depreciation rates does not have a material impact on the rate relief Arizona Water Company seeks (the impact is about \$50,000), and certainly does not require the Company to "file all new schedules." Indeed, as its representatives have previously informed Staff, the Company is not seeking to change any of the rate relief it is seeking and on a going-forward basis is willing to use all of the depreciation rates set forth in its original filing. This will actually result in slightly lower rates and charges for service, benefiting ratepayers. If, on the other hand, Staff wishes to propose different depreciation rates in its direct filing, nothing the Company has done precludes Staff from making such a recommendation. In fact, the Company's response to Data Request REL 15-11, which was submitted on February 24, 2003, provides the revised pro forma adjustments that Staff requested. It is entirely up to Staff whether to recommend use of the rates from the 1987 study,

# FENNEMORE CRAIG

## BY HAND DELIVERY

Timothy J. Sabo  
February 27, 2003  
Page 7

rates from the 1990 study, or different rates from another relevant study, as Staff did, for example, in the Turner Ranches rate case several years ago.<sup>1</sup>

### C. POST TEST YEAR PLANT AND PRO FORMA ADJUSTMENTS

Next, Staff expressed concern over information supporting the Company's Post Test Year Plant Additions ("PTYPA") and other pro forma adjustments. There is no dispute that the Company has provided Staff with supporting data regarding PTYPA and other pro forma adjustments. In fact, the Company provided Staff the final December 31, 2002 PTYPA amounts as part of its responses to Data Request REL 15-11 adjusting depreciation expense. Nevertheless, as Staff points out, the Company has not provided all of its 2002 year-end actual financial data. However, not all of this information is yet available. As Staff is aware, the Company is still in the process of closing out its 2002 books and the Company will provide its 2002 plant retirements and operating expense data as soon as it is available. Again, the Company cannot provide information that is not yet available.

Meanwhile, in our view, the data already provided to Staff demonstrates that the Company can meet its burden of proof concerning the requested inclusion of post-test year plant in rate base and other pro forma adjustments to the test year data. We view this issue as one concerning the sufficiency of the evidence supporting the Company's proposed adjustments. It is not a situation where the Company is failing or refusing to provide Staff with available data or information. Ultimately, the Administrative Law Judge and the Commissioners will decide whether the adjustments are adequately supported by evidence and appropriate.

In summary, the Company does not agree with your various characterizations of the Company's responses to data requests and stands by its prior responses for the reasons set forth hereinabove. The Company remains willing to meet and confer with Staff, as evidenced by Ms. Hubbard's attempt to set up a meeting with Staff last week. I also encourage you to contact ADEQ and obtain background information on the Pinal Creek WQARF Site from Mr. Pond, as he suggested.

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<sup>1</sup> In fact, if I recall correctly, Mr. Fernandez, who raised the issue of depreciation rates when we met last Wednesday, was the Staff's witness in the Turner Ranches case and supported the adoption of different depreciation rates based on various studies prepared for other water and sewer companies. Obviously, Staff is free to do so again in this case.

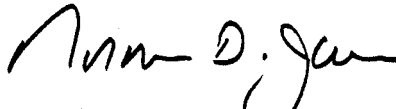
# FENNEMORE CRAIG

## BY HAND DELIVERY

Timothy J. Sabo  
February 27, 2003  
Page 8

Let us know if you have any additional questions or would like to discuss the foregoing in greater detail. Thank you for your courtesy and cooperation concerning this matter.

Very truly yours,

  
for Jay L. Shapiro

cc: Mr. Ralph Kennedy  
Robert Geake, Esq.

JLS/mlh  
PHX/JSHAPIRO/1391920.1/12001.187

Supplemental Response to TJS 13-5:

James R. Livingston is the President of Arizona Water Company ("AWC"). He has general knowledge and background concerning AWC's facilities and operations in the Miami system. He participated in the majority of AWC's meetings with the ADEQ and settlement discussions with the PCG and reviewed and commented on the drafting of the 1998 Settlement and Release Agreement.

William M. Garfield and Michael J. Whitehead are the Vice President-Operations and Vice President-Engineering, respectively, of AWC. Both have general knowledge of AWC's facilities and operations in the Miami system, and both had more extensive knowledge than Mr. Livingston concerning the location of AWC's wells, AWC's need for additional sources of supply, and possible locations for such additional sources. Both participated in most of the meetings with the ADEQ and the settlement discussions with the PCG, and both reviewed and commented on the drafting of the 1998 Settlement and Release Agreement, particularly the provisions concerning sources of replacement water, requirements for such, and water quality issues.

Ralph J. Kennedy is Vice President and Treasurer of AWC. He has general knowledge of the nature of the Company's utility plant in the Miami system as reflected in AWC's financial records, and the financial operating results for the Miami system since he began employment with AWC in 1987. He participated in many of AWC's settlement discussions with the PCG, and reviewed and commented on the drafting of the 1998 Settlement and Release Agreement.

Robert W. Geake is Vice President and General Counsel of AWC. Except for the first meeting with the ADEQ and the first settlement discussion with the PCG, he participated in all of the meetings listed in AWC's response to TJS 17-1. He was involved in suggesting and facilitating the selection of outside counsel to represent AWC in the PCG settlement matters, and reviewed, commented, and provided legal advice to AWC on the drafting of the 1998 Settlement and Release Agreement,

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